AUDIT REPORT
OF THE
NEBRASKA BRAND COMMITTEE

JULY 1, 1998 THROUGH JUNE 30, 1999 AND
JULY 1, 1999 THROUGH DECEMBER 31, 1999

NEBRASKA BRAND COMMITTEE

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BACKGROUND

The Nebraska Brand Committee (Committee) was created by the 1941 Legislature to protect livestock owners through brand recording, brand inspection, and theft investigation. The Committee is composed of the Secretary of State as chairman, and four other members appointed by the Governor to four year terms. These members must be active cattlemen engaged in the cattle business in the brand area.

The primary duties of the Brand Committee are to:

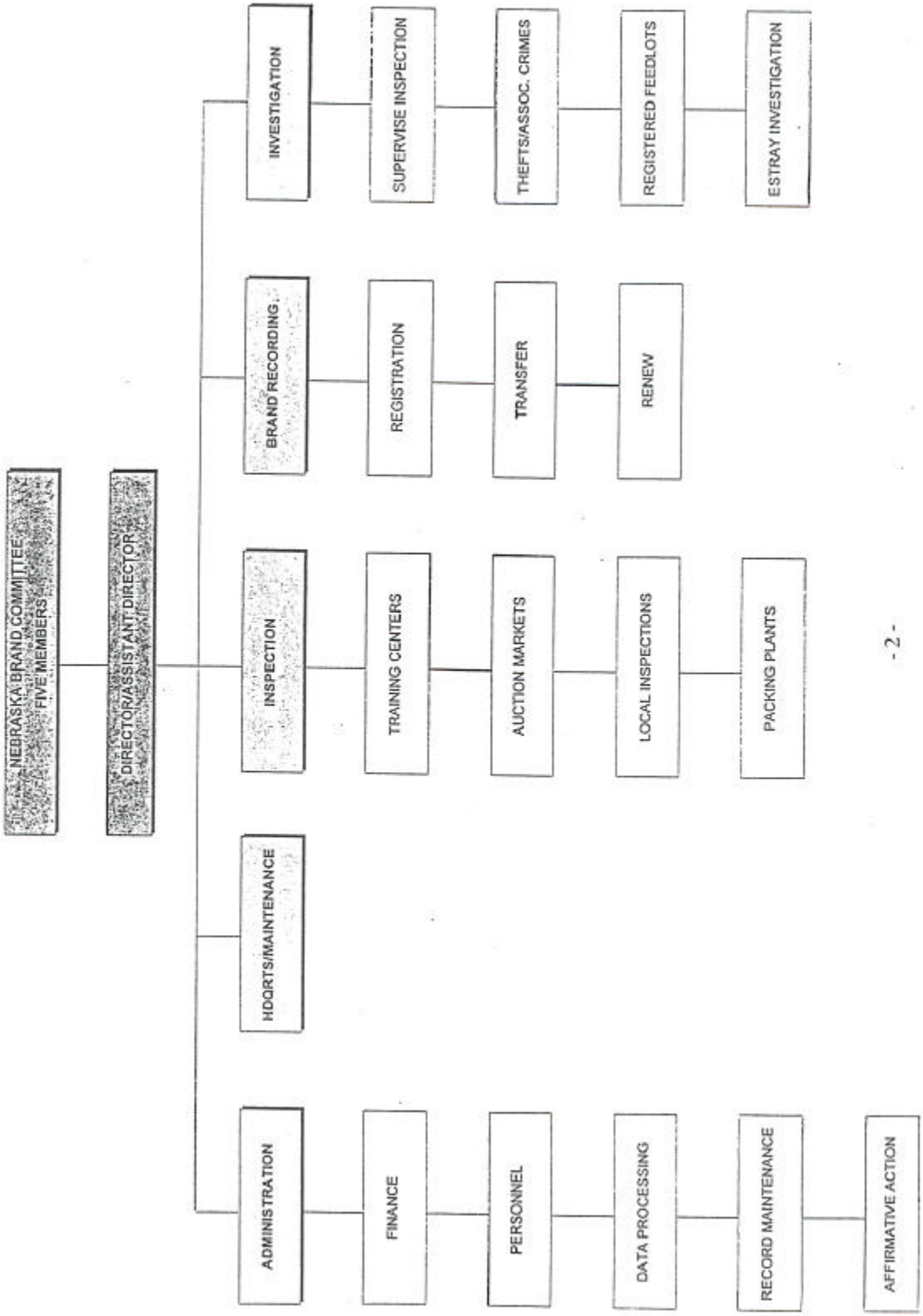
- Maintain records of all brand transactions
- Investigate thefts or missing livestock
- Inspect cattle moved outside the brand area or that change ownership

The Committee is self-supporting, operating on the proceeds collected from the inspection of cattle and recording of brands. The Committee employed an Executive Director who managed sixty full time and sixty-one intermittent employees as of June 30, 1999 and sixty full time and sixty-two intermittent employees as of December 31, 1999.

MISSION STATEMENT

The Nebraska Brand Committee provides individual herd identification through brand recording; ownership protection through brand inspection at markets, packing plants, during private treaty sales, and when leaving the State and/or brand inspection area; investigations of cases which involve fraud in marketing cattle; and theft of livestock. This State Committee has an Administrative Division that oversees the entire operation which includes Brand Recording, Brand Inspection and Livestock Theft Investigation, all under the control of the four (4) Brand Committee members and the Secretary of State, who serves as Chairperson of the Committee. Major goals are placed on increased training of personnel at all levels and cooperation in the research of new forms of livestock identification.

ORGANIZATIONAL CHART



COMMENT AND RECOMMENDATION

During our audit of the Nebraska Brand Committee, we noted a certain matter involving operating matters that is presented here. This comment and recommendation is intended to ensure compliance and result in operational efficiencies.

Receipt Procedures

As part of the Committee's duties, inspectors perform brand inspections at various locations. An inspection certificate is issued for each inspection performed. The Committee's Employee Handbook, page 71, requires all money collected for these inspections be remitted to the Committee's Alliance office at least weekly. Sound business practices also require timely remittance of all money collected.

During testing of the Committee's receipts, we noted there was often a lengthy time lag from the date the inspection certificate was issued to the date the certificate was processed in the Alliance office. For five of the sixteen inspection certificates we tested, the time lag was greater than thirty days, and for two of these certificates the time lag was greater than sixty days. The longest time lag was seventy-two days.

Inspectors often visit larger operators daily to perform inspections. The Committee allows these larger operators the option of paying for inspections on a bi-weekly or even a monthly basis. Inspectors are not required to note on the inspection certificate the date the inspection fee was received. Therefore, we were unable to determine the date payment was received, and we could not determine the time lag from the date the inspector received the inspection fee to the date the certificate was processed in the Alliance office.

Since we could not determine the exact time lag from the date the fees were received by the inspectors, and two of the certificates tested had a time lag of greater than sixty days from the certificate date, it appears collections were not remitted in a timely manner.

> We recommend the inspectors be required to note on the inspection certificates the date the inspection fee is received.
>
> In addition, we recommend the Committee review remittances from the inspectors to ensure remittances are being made in a timely manner.

COMMITTEE'S RESPONSE: REGARDING THE AUDITORS' RECOMMENDATION, OUR INSPECTORS ARE NOW REQUIRED TO NOTE ON THE INSPECTION CERTIFICATES THE DATE THE INSPECTION FEE IS RECEIVED. ALL EMPLOYEES RECEIVED A MEMORANDUM REGARDING THIS REQUEST.

THE REMITTANCES AND DATE OF RECEIPT FROM THE INSPECTORS WILL BE REVIEWED TO ENSURE REMITTANCES ARE BEING MADE IN A TIMELY MANNER AND CORRECTIVE ACTION TAKEN AS NEEDED.

COMMENT AND RECOMMENDATION
(Concluded)

It should be noted this report is critical in nature since it contains only our comments and recommendations on the areas noted for improvement.

Draft copies of this report were furnished to the Committee to provide them an opportunity to review the report and to respond to the comment and recommendation included in this report. All formal responses received have been incorporated into this report. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time but will be verified in the next audit.

We appreciate the cooperation and courtesy extended to our auditors during the course of the audit.

STATE OF NEBRASKA
Auditor of Public Accounts

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NEBRASKA BRAND COMMITTEE

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the Nebraska Brand Committee as of December 31, 1999 and for the period July 1, 1999 through December 31, 1999 and as of and for the fiscal year ended June 30, 1999, as listed in the Table of Contents. These financial statements are the responsibility of the Committee's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Also as discussed in Note 1, the financial statements present only the Nebraska Brand Committee, and are not intended to present fairly the fund balances and the receipts and disbursements of the State of Nebraska in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund balances of the Nebraska Brand Committee as of December 31, 1999 and June 30, 1999, and the receipts and disbursements for the period July 1, 1999 through December 31, 1999 and the fiscal year ended June 30, 1999, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated – April 27, 2000, on our consideration of the Nebraska Brand Committee's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Nebraska Brand Committee. Such information, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Timothy J. Chamber CPA

April 27, 2000 Manager

NEBRASKA BRAND COMMITTEE

STATEMENT OF ASSETS, FUND BALANCES AND
OTHER CREDITS ARISING FROM CASH TRANSACTIONS
ALL FUND TYPES AND GENERAL FIXED ASSETS ACCOUNT GROUP

December 31, 1999

	Governmental Fund Type	Fiduciary Fund Type	Account Group	
	Brand Inspection and Theft Program Special Revenue Fund 2391	Estray Trust and Agency	General Fixed Assets	**Totals** (Memorandum Only)
Assets				
Cash in State Treasury	$ 1,403,287	$ -	$ -	$ 1,403,287
Deposits	-	18,986	-	18,986
Deposit with Vendors	638	-	-	638
Property, Plant, and Equipment	-	-	274,287	274,287
Total Assets	$ 1,403,925	$ 18,986	$ 274,287	$ 1,697,198
Fund Balances and Other Credits				
Other Credits,				
Investment in Fixed Assets	$ -	$ -	$ 274,287	$ 274,287
Fund Balances:				
Reserved For Postage	638	-	-	638
Unreserved, Undesignated	1,403,287	18,986	-	1,422,273
Total Fund Balances and Other Credits	$ 1,403,925	$ 18,986	$ 274,287	$ 1,697,198

See Notes to Financial Statements.

NEBRASKA BRAND COMMITTEE

STATEMENT OF ASSETS, FUND BALANCES AND
OTHER CREDITS ARISING FROM CASH TRANSACTIONS
ALL FUND TYPES AND GENERAL FIXED ASSETS ACCOUNT GROUP

June 30, 1999

	Governmental Fund Type	Fiduciary Fund Type	Account Group	
	Brand Inspection and Theft Program Special Revenue Fund 2391	Estray Trust and Agency	General Fixed Assets	**Totals** (Memorandum Only)
Assets				
Cash in State Treasury	$ 1,450,392	$ -	$ -	$ 1,450,392
Deposits	-	14,169	-	14,169
Deposit with Vendors	638	-	-	638
Property, Plant, and Equipment	-	-	277,608	277,608
Total Assets	$ 1,451,030	$ 14,169	$ 277,608	$ 1,742,807
Fund Balances and Other Credits				
Other Credits,				
Investment in Fixed Assets	$ -	$ -	$ 277,608	$ 277,608
Fund Balances:				
Reserved For Postage	638	-	-	638
Unreserved, Undesignated	1,450,392	14,169	-	1,464,561
Total Fund Balances and Other Credits	$ 1,451,030	$ 14,169	$ 277,608	$ 1,742,807

See Notes to Financial Statements.

NEBRASKA BRAND COMMITTEE

STATEMENT OF RECEIPTS, DISBURSEMENTS

AND CHANGES IN FUND BALANCES

For the Period July 1, 1999 through December 31, 1999

	Governmental Fund Type	Fiduciary Fund Type	
	Special Revenue	Trust and Agency	**Totals** (Memorandum Only)
RECEIPTS:			
Sales and Charges:			
Inspections	$ 1,321,995	$ -	$ 1,321,995
Brand Recordings	142,905	-	142,905
Sale of Estray Cattle	-	7,482	7,482
Other Sales and Charges	4,996	-	4,996
Miscellaneous:			
Beef Council Contract	15,938	-	15,938
Investment Interest	40,758	95	40,853
TOTAL RECEIPTS	1,526,592	7,577	1,534,169
DISBURSEMENTS:			
Personal Services	1,336,857	-	1,336,857
Operating	79,499	145	79,644
Travel	157,337	-	157,337
Capital Outlay	6,872	-	6,872
Resolved Estray Payments	-	2,615	2,615
TOTAL DISBURSEMENTS	1,580,565	2,760	1,583,325
Excess of Receipts Over (Under) Disbursements	(53,973)	4,817	(49,156)
OTHER FINANCING SOURCES:			
Sale of Assets	6,756	-	6,756
Net Distributive Activity	112	-	112
TOTAL OTHER FINANCING SOURCES	6,868	-	6,868
Excess of Receipts and Other Financing Sources Over (Under) Disbursements	(47,105)	4,817	(42,288)
FUND BALANCE, JULY 1, 1999	1,451,030	14,169	1,465,199
FUND BALANCE, DECEMBER 31, 1999	$ 1,403,925	$ 18,986	$ 1,422,911

See Notes to Financial Statements.

NEBRASKA BRAND COMMITTEE

STATEMENT OF RECEIPTS, DISBURSEMENTS

AND CHANGES IN FUND BALANCES

For the Fiscal Year Ended June 30, 1999

	Governmental Fund Type	Fiduciary Fund Type	
	Special Revenue	Trust and Agency	**Totals** (Memorandum Only)
RECEIPTS:			
Sales and Charges:			
Inspections	$ 2,526,312	$ -	$ 2,526,312
Brand Recordings	246,191	-	246,191
Sale of Estray Cattle	-	12,220	12,220
Other Sales and Charges	5,837	-	5,837
Miscellaneous:			
Beef Council Contract	21,690	-	21,690
Investment Interest	92,534	196	92,730
TOTAL RECEIPTS	2,892,564	12,416	2,904,980
DISBURSEMENTS:			
Personal Services	2,575,789	-	2,575,789
Operating	162,105	4,709	166,814
Travel	290,458	-	290,458
Capital Outlay	66,677	-	66,677
Resolved Estray Payments	-	8,117	8,117
TOTAL DISBURSEMENTS	3,095,029	12,826	3,107,855
Excess of Receipts Under Disbursements	(202,465)	(410)	(202,875)
OTHER FINANCING SOURCES:			
Sale of Assets	15,970	-	15,970
Net Distributive Activity	142	-	142
TOTAL OTHER FINANCING SOURCES	16,112	-	16,112
Excess of Receipts and Other Financing Sources Under Disbursements	(186,353)	(410)	(186,763)
FUND BALANCE, JULY 1, 1998	1,637,383	14,579	1,651,962
FUND BALANCE, JUNE 30, 1999	$ 1,451,030	$ 14,169	$ 1,465,199

See Notes to Financial Statements.

NEBRASKA BRAND COMMITTEE

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 1999

	CASH FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:			
Inspections		$ 2,526,312	
Brand Recordings		246,191	
Other Sales and Charges		5,837	
Investment Interest		92,534	
Beef Council Contract		21,690	
TOTAL RECEIPTS		2,892,564	
DISBURSEMENTS:			
Personal Services	$ 2,801,823	2,575,789	$ 226,034
Operating	425,140	162,105	263,035
Travel	316,376	290,458	25,918
Capital Outlay	158,795	66,677	92,118
TOTAL DISBURSEMENTS	3,702,134	3,095,029	607,105
Excess of Receipts Under Disbursements		(202,465)	
OTHER FINANCING SOURCES:			
Sale of Assets		15,970	
Net Distributive Activity:			
Ins		163	
Outs		21	
TOTAL OTHER FINANCING SOURCES		16,112	
Excess of Receipts and Other Financing Sources Under Disbursements		(186,353)	
FUND BALANCES, JULY 1, 1998		1,637,383	
FUND BALANCES, JUNE 30, 1999		$ 1,451,030	

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 1999 and
For the Period July 1, 1999 through December 31, 1999

1. Summary of Significant Accounting Policies

The accounting policies of the Nebraska Brand Committee are on the basis of accounting as described in the Nebraska Accounting System Manual.

A. Reporting Entity. The Nebraska Brand Committee (the Committee) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Committee is exempt from State and Federal income taxes. The financial statements include all funds of the Committee.

The Nebraska Brand Committee is part of the primary government for the State of Nebraska's reporting entity.

B. Basis of Accounting. The accounting records of the Committee are maintained and the Committee's financial statements were prepared on the basis of cash receipts and disbursements. Under this method, revenues are recognized when received and expenditures are recognized when paid. This presentation differs from governmental generally accepted accounting principles (GAAP) which requires the use of the modified accrual basis for governmental and expendable trust fund types. Under the modified accrual basis of accounting, revenues are recognized when they are considered susceptible to accrual and expenditures are recognized when the liability is incurred.

C. Fund Accounting. The accounts and records of the Committee are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts which record receipts, disbursements, and the fund balance. The fixed asset account group is a financial reporting device designed to provide accountability over fixed assets. The fund types and account group presented on the financial statements are those required by GAAP and include:

Special Revenue Funds. Reflect transactions related to resources received and used for restricted or specific purposes.

Trust and Agency Funds. Reflect transactions related to assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

General Fixed Assets Account Group. Used to account for general fixed assets of the Committee.

1. Summary of Significant Accounting Policies (Continued)

This fund type classification differs from the budgetary fund types used by the Nebraska Accounting System.

The fund types established by the Nebraska Accounting System that are used by the Committee are:

2000 - Cash Funds - account for receipts generated by specific activities from sources outside of State government and the disbursements directly related to the generation of the receipts.

D. Budgetary Process. The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, the Committee and all other State agencies must submit their budget request for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, sub-programs, and activities. The Executive Branch reviews the requests, establishes priorities, and balances the budget within the estimated resources available during the upcoming biennium. The Governor's budget bill is submitted to the Legislature in January. The Legislature considers revisions to the bill and submits the revised appropriation bill to the Governor for signature. The Governor can either: a) approve the appropriation bill in its entirety, b) veto the bill, or c) line item veto certain sections of the bill. Any vetoed bill or line item can be overridden by a three-fifths majority of the Legislature.

The appropriations that are approved will generally set spending limits for a particular program within the agency. Within the agency/program, the Legislature may provide funding from one to five budgetary fund types. Thus, the legal level of control is fund type within program within agency. The central accounting system maintains this control. A separate publication titled "Annual Budgetary Report" shows the detail of this legal level of control. This publication is available from the Department of Administrative Services Accounting Division.

Appropriations are usually made for each year of the biennium with unexpended balances being reappropriated at the end of the first year of the biennium. For most appropriations, balances lapse at the end of the biennium.

All State budgetary disbursements for the cash fund type is made pursuant to the appropriations that may be amended by the Legislature, upon approval by the Governor. State agencies may reallocate the appropriations between major object

1. Summary of Significant Accounting Policies (Continued)

of expenditure accounts except that the Legislature's approval is required to exceed the personal service limitations contained in the appropriations bill. Increases in total cash fund appropriations must also be approved by the Legislature as a deficit appropriations bill.

The Committee utilizes encumbrance accounting to account for purchase orders, contracts, and other disbursement commitments. However, State law does not require that all encumbrances be recorded in the State's centralized accounting system and as a result, the encumbrances that were recorded in the accounting system have not been included in the accompanying financial statements except for the impact as described below.

Under State budgetary procedures, appropriation balances related to outstanding encumbrances at the end of the biennium are lapsed and reappropriated in the first year of the next biennium. The effect of the Committee's current procedure is to include in the budget columns, Total Disbursement line, of the Statement of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual the current year's appropriations plus the amounts reappropriated for encumbrances outstanding at the end of the prior biennium. This procedure indicates the Committee's intention to honor the encumbrances at the end of a biennium. The disbursements columns of the Statement include cash payments related to the appropriated and reappropriated amounts. For the year ended June 30, 1999, there were no budgetary funds in which disbursements exceeded appropriations.

Budgets for object of expenditure accounts are included in the Nebraska Department of Administrative Services Budget Status Report

Receipts are not budgeted and therefore there are no budgeted amounts shown on the Budget and Actual Statement.

A reconciliation of the budgetary fund classifications versus GAAP fund classifications as of June 30, 1999, follows:

(Continued on Next Page)

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

	BUDGETARY FUND BALANCES	FINANCIAL STATEMENT FUND BALANCES PRIMARY GOVERNMENT	
		Special Revenue	Trust and Agency
	Total		
PERSPECTIVE DIFFERENCES:			
Classifications of budgetary fund balances into Financial Statement fund structure:			
Cash	$ 1,451,030	$ 1,451,030	$ -
Budgetary fund balances classified into Financial Statement fund structure	$ 1,451,030		
Entity Difference:			
Record funds not budgeted		-	14,169
Financial Statement Fund Balances, June 30, 1999		$ 1,451,030	$ 14,169

E. Fixed Assets. General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Assets on hand as of June 30, 1999 and December 31, 1999, have been recorded at cost or estimated cost by the Committee. Generally, equipment which has a cost in excess of $300 at the date of acquisition and has an expected useful life of two or more years is capitalized.

Assets in the general fixed assets account group are not depreciated. Fixed assets do not include infrastructure such as roads and bridges, as these assets are immovable and of value only to the government. The cost of normal maintenance and repairs that do not add to the value of the asset or extend asset life is not capitalized.

F. Cash in State Treasury. Cash in the State Treasury represents the cash balance of a fund as reflected on the Nebraska Accounting System. Investment of all available cash is made by the State Investment Officer on a daily basis based on total bank balances. Investment income is distributed based on the average daily book cash balance of funds designated for investment. Determination of whether or not a fund is considered designated for investment is done on an individual fund basis. All of the funds of the Committee were designated for investment during fiscal year 1999 and the period July 1, 1999 through December 31, 1999.

1. Summary of Significant Accounting Policies (Continued)

G. Net Distributive Activity. Net Distributive Activity transactions would be those recorded directly to a fund's liability accounts rather than through a receipt or disbursement account. These transactions represent funds received by the Committee which are owed to some individual, organization, or other government Committee or are deposits which will be returned on completion of some specified requirement.

H. Inventories. Disbursements for items of an inventory nature are considered expended at the time of purchase rather than at the time of consumption.

I. Compensated Absences. All permanent employees working for the Committee earn sick and annual leave and are allowed to accumulate compensatory leave rather than being paid overtime. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave. Under GAAP the vested portion of the employee's compensated absences is recorded in the Long-Term Debt Account Group for governmental funds. Under the 'receipts and disbursements basis of accounting' the balances which would be reported in the Long-Term Debt Account Group are not reported as they do not represent balances arising from Cash Transactions.

J. Receipts. The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Committee are:

Sales and Charges. Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees. Inspection fees are collected for the performance of brand inspections, Brand Recordings fees are collected for recording brands, and Sale of Estray Cattle fees are collected when estray cattle are sold.

Miscellaneous. Receipts from sources not covered by other major categories. Beef Council Contract fees are collected as a result of an agreement with the Nebraska Beef Council. The Committee receives a collection fee for collecting the Beef Council's assessments.

K. Disbursements. The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Committee are:

Personal Services. Salaries, wages, and related employee benefits provided for all persons employed by a government.

1. Summary of Significant Accounting Policies (Concluded)

Operating. Disbursements directly related to a program's primary service activities.

Travel. All travel disbursements for any state officer, employee, or member of any commission, council, committee, or board of the State.

Capital Outlay. Disbursements which result in the acquisition of or an addition to fixed assets. Fixed assets are resources of a long-term character owned or held by the government.

L. Fund Balance Reservations. Reservations of fund balance are established to identify the existence of assets that have been legally segregated for specific purposes. Postage is an example of this type of reservation.

2. Totals

The Totals "Memorandum Only" column represents an aggregation of individual account balances. The column is presented for overview informational purposes and does not present consolidated financial information since interfund balances and transactions have not been eliminated.

3. Contingencies and Commitments

Risk Management. The Committee is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and health care insurance. The Committee, as part of the primary government for the State, participates in the State's risk management program. The Nebraska Department of Administrative Services (DAS) Division of Risk Management is responsible for maintaining the insurance and self-insurance programs for the State. The State has chosen not to purchase insurance except for:

1. Motor vehicle liability which is insured for the first $5 million of exposure per accident. Insurance is also purchased for medical payments, physical damage and uninsured and underinsured motorists with various limits and deductibles.

2. Health care insurance for employees selecting certain coverage options. All health care insurance was purchased.

3. Employee dishonesty which is bonded for the first $1 million annually with a $10,000 retention per incident.

3. Contingencies and Commitments (Concluded)

4. Real and personal property on a blanket basis including the perils of Flood and Earthquake for net loss in excess of $100,000 per loss occurrence, with a limit of $250,000,000 per loss occurrence. Newly acquired properties are only covered up to $1,000,000 for 30 days or until the value of the property is reported to the insurance company.

No settlements exceeded commercial insurance coverage in any of the past three fiscal years. Health care insurance is funded in the Risk Management Internal Service Fund through a combination of employee and State contributions. Workers compensation is also funded in the Risk Management Internal Service Fund through assessments on each agency based on total agency payroll and past experience. Tort claims, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters would be funded through the State General Fund or by individual agency assessments as directed by the Legislature, unless covered by purchased insurance. No amounts for estimated claims have been reported in the Nebraska Brand Committee's financial statements.

Litigation. The potential amount of liability involved in litigation pending against the Committee, if any, could not be determined at this time. However, it is the Committee's opinion that final settlement of those matters should not have an adverse effect on the Committee's ability to administer current programs. Any judgement against the Committee would have to be processed through the State Claims Board and be approved by the Legislature.

4. State Employees' Retirement Plan (Plan)

The Plan is a single-employer defined contribution plan administered by the Public Employees Retirement Board in accordance with the provisions of the State Employees Retirement Act. Plan provisions may be amended through legislative action. In the defined contribution plan, retirement benefits depend on total contributions, investment earnings, and the investment options selected. Membership in the Plan is required of all permanent full-time employees on reaching the age of thirty and completion of twenty-four months of continuous service and voluntary participation is permitted for all permanent full-time or part-time employees upon reaching age twenty and twelve months of service within a five-year period, except any individual appointed by the Governor may elect not to become a member of the Plan.

Employees contribute 4.33% of their monthly compensation until such time as they have paid during any calendar year a total of eight hundred sixty four dollars, after which time

4. State Employees' Retirement Plan (Plan) (Concluded)

they shall pay a sum equal to 4.8% of their monthly compensation for the remainder of such calendar year. The Committee matches the employee's contribution at a rate of 156% of the employee's contribution.

The employee's account is fully vested. The employer's account is vested 100% after five years participation in the plan or at retirement.

For the Fiscal Year Ended June 30, 1999, employees contributed $76,702 and the Committee contributed $119,655. For the period ended December 31, 1999, employees contributed $41,700 and the Committee contributed $65,062.

5. Net Distributive Activity

The Committee's net distributive activity for the Fiscal Year Ended June 30, 1999, consists of $163 in sales tax collections and $21 in sales tax payments to the Nebraska Department to Revenue. The Committee’s net distributive activity for the period ended December 31, 1999, consists of $112 in sales tax collections.

6. Fixed Assets

The following is a summary of changes in the general fixed assets account group during the audit period:

	Balance July 1, 1998	Additions	Retirements	Balance June 30, 1999
Buildings	$ 85,531	$ -	$ -	$ 85,531
Equipment	179,034	54,675	41,632	192,077
Total General Fixed Assets	$ 264,565	$ 54,675	$ 41,632	$ 277,608

	Balance July 1, 1999	Additions	Retirements	Balance Dec. 31, 1999
Buildings	$ 85,531	$ -	$ -	$ 85,531
Equipment	192,077	11,166	14,487	188,756
Total General Fixed Assets	$ 277,608	$ 11,166	$ 14,487	$ 274,287

7. Deposits

Funds held by the Committee for the Estray Fund are deposited as directed by State Statute Section 54-150, R.R.S. 1998. Funds are in a checking account and a money

7. Deposits (Concluded)

market account. Any deposits in excess of the amount insured by the Federal Deposit Insurance corporation are required by State Statute Section 77-2326.04, R.R.S. 1996, to be secured by either a surety bond or pledged collateral securities.

The June 30, 1999 and December 31, 1999, carrying amounts of total deposits which includes the checking account and money market account was $14,169 and $18,986 respectively. The bank balance was $14,977 and $18,986 respectively. All funds were entirely covered by federal depository insurance.

NEBRASKA BRAND COMMITTEE

SCHEDULE OF PERFORMANCE MEASURES

Description	(Unaudited) 95/96	(Unaudited) 96/97	97/98	98/99	7/1/99 through 12/31/99
Committee Disbursements:					
Administration (4)	$ 254,551	$ 285,846	$ 242,104	$ 269,760	$ 152,039
Headquarters Maintenance	$ -	$ -	$ 9,554	$ 20,517	$ 4,730
Inspections	$ 2,308,819	$ 2,253,878	$ 2,374,865	$ 2,426,521	$ 1,261,975
Recordings	$ 101,348	$ 102,501	$ 104,169	$ 115,988	$ 42,892
Investigations	$ 243,007	$ 223,861	$ 251,406	$ 262,243	$ 118,929
Total	$ 2,907,725	$ 2,866,086	$ 2,982,098	$ 3,095,029	$ 1,580,565
Inspections:					
Total Cattle Inspected	3,647,495	3,872,094	3,979,741	3,857,633	1,935,191
Inspection Fee Per Head	$ 0.60	$ 0.60	.60/.55	$ 0.55	$ 0.55
Number of Cattle Held for Proof of Ownership	22,261	30,844	24,994	24,836	13,501
Recovered Strays	1,985	2,423	2,538	2,546	1,559
New Estray Cases	24	24	29	24	13
Number of Cattle Reported Missing	1,228	956	867	858	809
Value of Total Cattle Inspected (5)	$ 1,823,747,500	$ 1,936,047,000	$ 1,989,870,500	$ 1,990,538,628	$ 1,093,382,915
Value of Cattle Recovered (6)	$ 992,500	$ 1,211,500	$ 1,269,000	$ 1,314,909	$ 880,702
Total Costs per Inspection (1)	$ 0.63	$ 0.58	$ 0.60	$ 0.63	$ 0.65
Recordings:					
New Brands	1,246	1,185	1,235	1,004	500
Brand Transfers	866	759	932	828	353
Renewed Brands	7,965	7,418	8,070	7,504	4,676
Total Brands on Record	34,786	34,505	34,316	34,343	34,158
Total Costs per Brand on Record (2)	$ 2.91	$ 2.97	$ 3.04	$ 3.38	$ 1.26
Theft and Associated Investigations:					
Livestock Investigations	15	79	37	44	20
Estray Investigations	99	66	52	63	41
Truck Checks	23	23	59	47	23
Total Investigations and Truck Checks	137	168	148	154	84
Court Cases	16	21	27	18	6
Warnings for Violations	53	107	60	115	58
Total Costs per Investigation/Truck Check (3)	$ 1,773.77	$ 1,332.51	$ 1,698.69	$ 1,702.88	$ 1,415.82

(1) Total Costs per Inspection was calculated as Total Inspections disbursements divided by Total Cattle Inspected.

(2) Total Costs per Brand on Record was calculated as Total Recordings disbursements divided by Total Brands on Record.

(3) Total Costs per Investigation/Truck Check was calculated as Total Investigations disbursements divided by Total Investigations and Truck Checks.

(4) Administration Disbursements were not included in the cost calculations made in (1), (2), and (3). If Administration Disbursements had been allocated to Inspections, Recordings, and Investigations, the cost calculations made in (1), (2), and (3) would be slightly higher.

(5) Value of Total Cattle Inspected was calculated as Total Cattle Inspected multiplied by average market price per head as determined by the Committee. The average market price per head was $516 for fiscal year 98/99 and $565 for the Period July 1, 1999 through December 31, 1999.

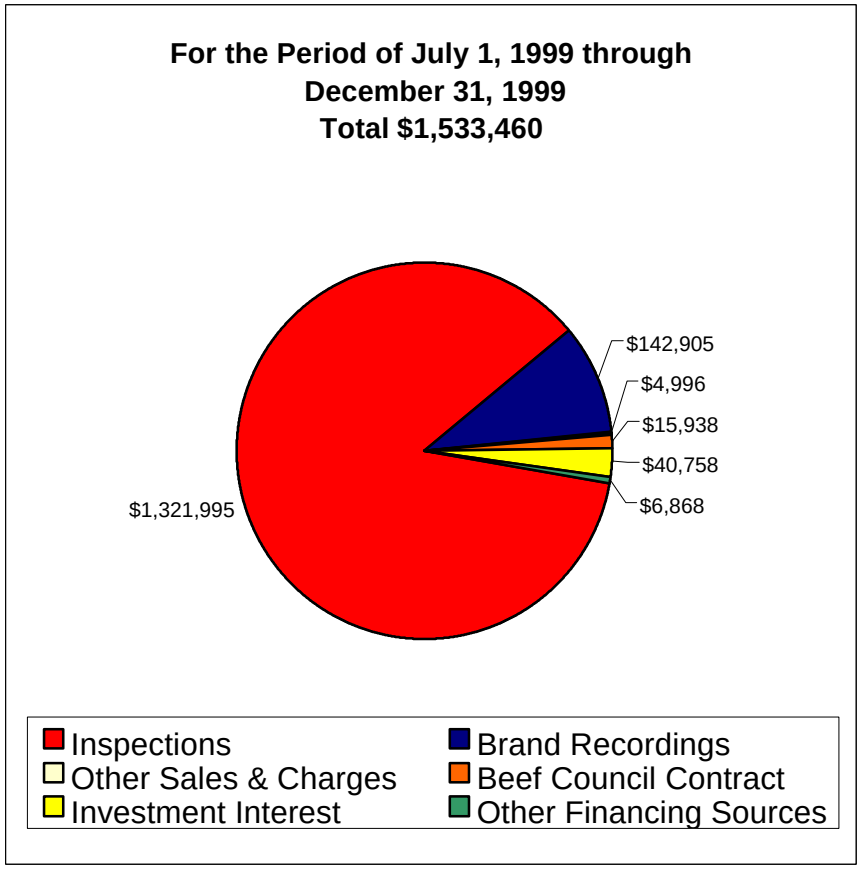
(6) Value of Cattle Recovered is the total estimated market value of strays recovered as reported by Brand Inspectors on a monthly basis.

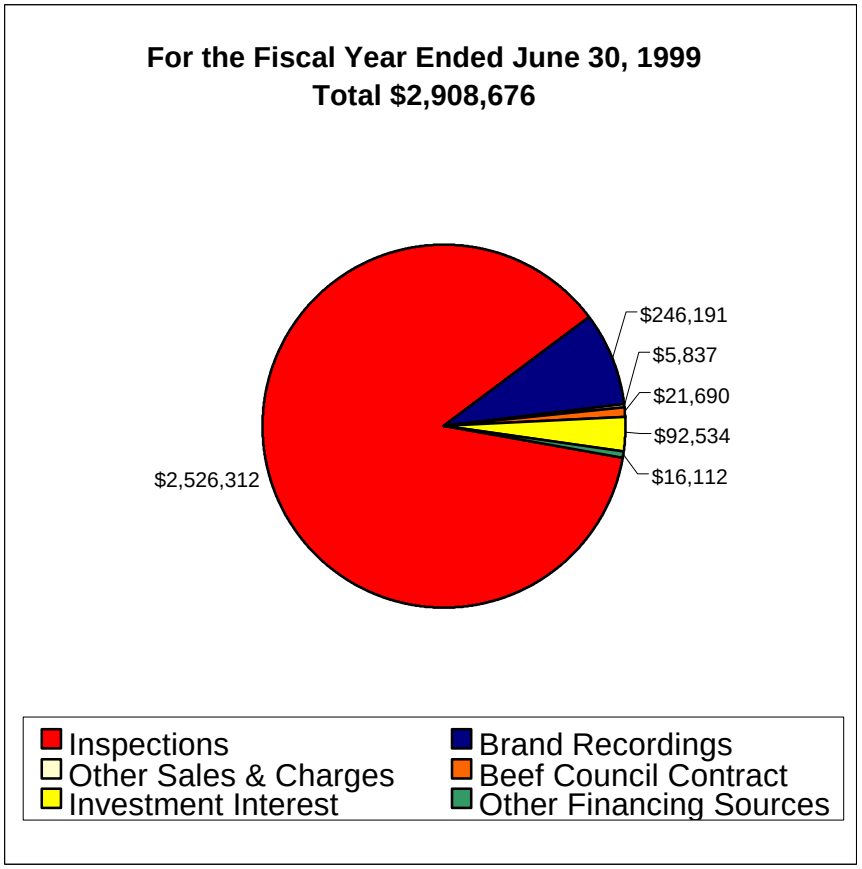
NEBRASKA BRAND COMMITTEE

SCHEDULE OF RECEIPTS BY TYPE

FOR THE PERIOD JULY 1, 1999 THROUGH DECEMBER 31, 1999

AND FOR THE FISCAL YEAR ENDED JUNE 30, 1999





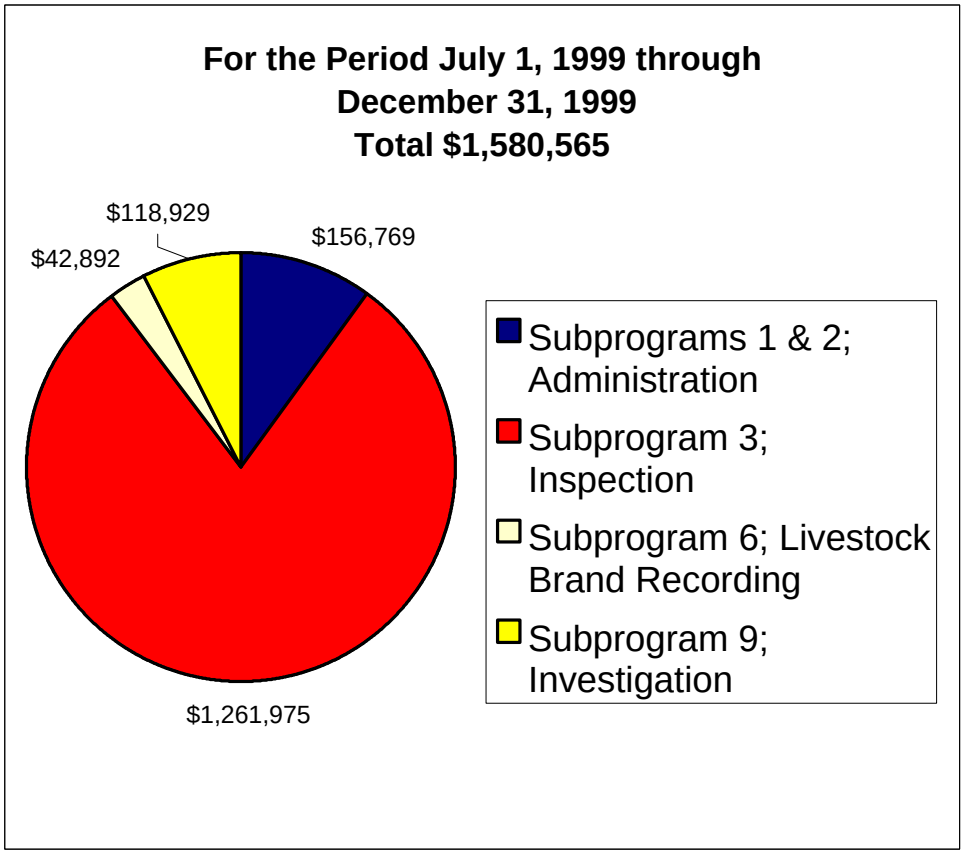
(1) Revenues from the sale of estray cattle are not included in the above graphs. Estray revenues were $7,482 and $12,220 for the period ended December 31, 1999 and for the fiscal year ended June 30, 1999, respectively. Also not included in the above graphs is investment interest earned on estray cattle sale proceeds. Estray cattle investment interest earned was $95 and $196 for the period ended December 31, 1999.

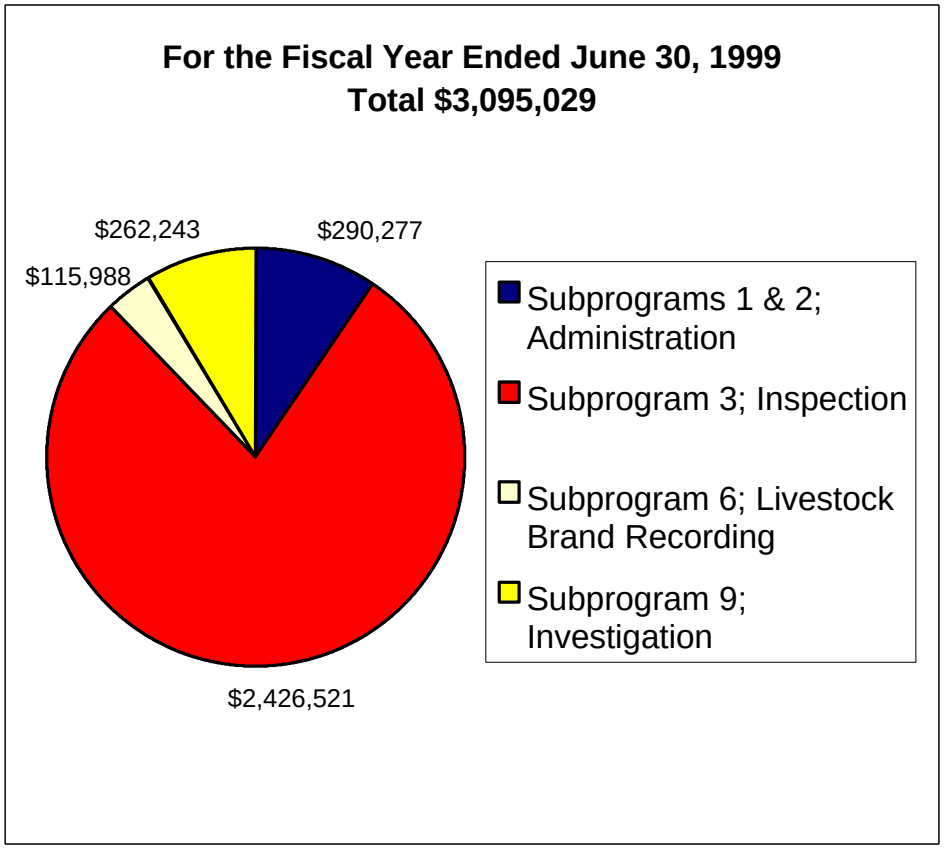
NEBRASKA BRAND COMMITTEE

SCHEDULE OF DISBURSEMENTS BY SUB-PROGRAM

FOR THE PERIOD JULY 1, 1999 THROUGH DECEMBER 31, 1999

AND FOR THE FISCAL YEAR ENDED JUNE 30, 1999





(1) Estray expenditures are not included in the above graphs. Estray expenditures were $2,760 and $12,826 for the period ended December 31, 1999, and for the fiscal year ended June 30, 1999, respectively.

STATE OF NEBRASKA
Auditor of Public Accounts

Kate Witek
State Auditor
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NEBRASKA BRAND COMMITTEE

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the Nebraska Brand Committee as of December 31, 1999 and for the period July 1, 1999 through December 31, 1999, and as of and for the fiscal year ended June 30, 1999, and have issued our report thereon dated April 27, 2000. The report notes the financial statements were prepared on the basis of cash receipts and disbursements, and was modified to emphasize that the financial statements present only the funds of the Nebraska Brand Committee. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Nebraska Brand Committee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. We noted a certain immaterial instance of noncompliance that we have reported to management of the Nebraska Brand Committee in the Comments Section of this report as "Receipt Procedures".

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Brand Committee's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting

would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Committee, the appropriate Federal and regulatory agencies and citizens of the State of Nebraska and is not intended to be and should not be used by anyone other than these specified parties.

Timothy J. Chamer CPA

April 27, 2000 Manager